

Retreat Minutes

Seattle City Employees' Retirement System

Friday, June 17, 2011 – 9:00 a.m.
Pacific Building, 9th Floor

Present: ☒ Jean Godden ☒ Glen M. Lee ☒ Rod Rich ☒ Lou Walter ☒ Robert H. Harvey, Jr.
 ☒ David Stewart

Others Present: Nick Collier, Milliman; Jennifer Sorensen, Milliman; Neil Rue, PCA; David Glickman, PCA; Austin Carmichael, PCA; Tad Fergusson, PCA; Mike Moy, PCA; Carlton Seu, Esq., CAO; Michael Monaco, Esq., Song Mondress; John McCoy, Legislative; Monica Ghosha, Council Staff; Tom Kirns, FAS; George Emerson, FAS; Greg Hill, FAS; Steve Kovac, SCL; Cecelia M. Carter, SCERS; Michael Akiyama, SCERS; Anthony Smith, SCERS; Steve Neubauer, SCERS; Selam Teklemariam, SCERS; Beverly Yapp, SCERS; Lisa Carns, SCERS.

Councilmember Godden, Chair - called the meeting to order at 9:10am

There was an abundance of discussion on Milliman Actuarial Presentation, Pension Consultant Alliance Presentation and overview of Board of Administration Fiduciary responsibilities.

- **Milliman Presentation:**

- Presented by:

Nick Collier, ASA, EA, MAAA and Jennifer Sorensen, ASA, MAAA

Milliman provided an overview of the upcoming proposed GASB preliminary views, actuarial assumptions based on Experience Study, SCERS benefit formula and asset valuation smoothing plan.

- **GASB Preliminary Views**

The key concepts behind preliminary views are to improve accountability, increase decision usefulness, and provide inter-period equity. The impact of these concepts is being monitored by Milliman and SCERS staff.

- **Actuarial Assumptions**

Actuarial assumptions drive actuarial valuation measurements. Assumption changes cause change to actuarial cost projections. There are two types of general assumptions; Economic and Demographic.

- **Economic Assumptions:** The economic assumption is the key driver of costs. SCERS currently at 7.75% investment return assumption. This was reviewed in the 2007-2010 Experience Study. Milliman recommended no change.
- **Demographic Assumptions:** The demographic assumptions review historic and then predict member behavior through the populus' entire career.
- A complete copy of the Seattle City Employees' Retirement System's 2007-2010 Experience Study can be found on the SCERS website.

- **Asset Smoothing**

- SCERS adopted a 5-year asset valuation smoothing policy which will be reflected in the January 1, 2011 Actuarial Valuation report. The asset smoothing should effectively mitigate volatility due to market fluctuations.

- **Motion:** Upon motion by Glen Lee, seconded by Rod Rich, the Retirement Board accepted and adopted actuarial asset valuation smoothing as if always existed with a formal policy to follow.

- **Pension Consulting Alliance:**

- Presented by: Neil Rue, David Glickman, Austin Carmichael, Tad Fergusson, Mike Moy.

PCA provided an overview of the Real Estate and Private Equity Portfolio for educational purposes. No action required by Board of Administration.

- **Real Estate**

Mr. David Glickman and Mr. Austin Carmichael provided an overview of the characteristics of Real Estate as an institutional investment. PCA reported that SCERS has an 11% real estate target allocation in 2011 which increases to 12% by January 1, 2013. Real estate accounted for (as of March 31, 2011) 9.5% of the SCERS portfolio. PCA reported the market overview of private real estate returns have seen a significant recovery. PCA also advised it will be working with SCERS staff on developing more comprehensive Real Estate investment guidelines.

- **Private Equity**

Mr. Mike Moy and Mr. Tad Ferguson provided a Private Equity overview. The private equity objective is to have a high absolute return relative to public equities. SCERS has an allocation target of 4.0% for private equity. As of March 31, 2011, 3.4% accounted for SCERS Private Equity portfolio. PCA recommends exploring liquidation options for certain private equity assets. PCA also advised it will be working with SCERS staff on developing more comprehensive private equity investment guidelines.

- **Song Mondress, Attorneys at Law:**

- Presented by: Mike Monaco, Esq.

Mr. Monaco, Esq. provided an overview of the Seattle City Employees' Retirement System Board of Administration fiduciary responsibilities. The Retirement System's assets are held in trust – and with that, a fiduciary relationship is created. The Board of Administration is held to comply with a body of law which includes Seattle Municipal Code, Federal/State, Common Law, Internal Revenue Code and Employee Retirement Income Security Act (ERISA). Mr. Monaco gave brief descriptions of each. The two main responsibilities of a fiduciary are the *duty of prudence* and the *duty of loyalty*.

Adjournment:

Motion: Upon motion by Rod Rich, seconded by Bob Harvey, the Retirement Board voted to adjourn the meeting at 2:40pm

DAVID STEWART, Secretary